Title: The Minister of State in the Ministry of Chemicals and Fertilizers and Minister of State in the Ministry of Parliamentary Affairs laid a statement on status of implementation of recommendations contained in 18th Report of Standing Committee on Chemicals and Fertilizers on Demand and availability of Petrochemicals, pertaining to the Department of Chemicals and Petrochemicals (2006-07), Ministry of Chemicals and Fertilizers.

THE MINISTER OF STATE IN THE MINISTRY OF CHEMICALS AND FERTILIZERS AND MINISTER OF STATE IN THE MINISTRY OF PARLIAMENTARY AFFAIRS (SHRI B.K. HANDIQUE): I am laying this statement on the status of implementation of the Recommendations contained in the Eighteenth Report (Fourteenth Lok Sabha) of the Standing Committee on "Demand and Availability of Petrochemicals" of the Chemicals and Fertilizers (Department of Chemicals and Petrochemicals) (2006-07) in pursuance of the Directions issued by the Hon'ble Speaker, Lok Sabha vide Direction No. 73A added by L.S.Bn. (ii), dated 1.9.2004, Para 456.

The Standing Committee on Chemicals & Fertilizer (Department of Chemicals and Petrochemicals) for the year 2006-07 and presented their Eighteenth Report to Lok Sabha on 17.5,2007. The Report contains 10 Recommendations. The gist of the Recommendations is as follows:

i) The Committee strongly recommends that the Government should create conducive environment for rapid growth of the Indian Petrochemicals Industry so that it can reap the optimum benefit offered by the present global scenario

ii) The Committee recommends that all necessary formalities should be completed as early as possible so that National Policy on Petrochemicals is finalized at the earliest.

iii) The Committee recommends that State Governments should be impressed upon for facilitating land transfer and providing other

---

* Laid on the Table and also placed in Library, See No. LT 7842/07

infrastructural facilities so as to make the PCPIR policy a big success.

iv) The Committee desire that all out efforts should be made to make the Assam Gas Cracker Project complete and functional within the stipulated time period as it would lead to setting up of about 500 plastic processing industries and yield socio-economic benefits to the North-Eastern Region especially the State of Assam.

v) The Committee note that Naphtha and Natural gas are the main feedstock for the Petrochemical Industry. The production of petrochemicals from Natural gas is cheaper in comparison to Naphtha. The Committee, therefore, desire that the Department should take adequate steps to allocate requisite gas supply to petrochemicals sector.

vi) The Committee observes that infrastructure facilities like ports, roads power, water, telecommunication; storage and transportation etc. are inadequate to meet the growing demand of the petrochemicals industry. The Committee, therefore, recommends that necessary steps should be taken by the Department to provide these infrastructure facilities to petrochemicals sector.

vii) The Committee notes that there are anomalies in the duty structure across the value addition chain resulting in instances of inverted duty structure. The Committee desire that the Union Government should take necessary steps to rationalize the duty and tax structure.

viii) The Committee desire that Institutions should be strengthened to ensure that skill and trained manpower availability should not constraints to the petrochemicals sector. The Committee also recommends that the proposal of the Government to set up a new scheme of Petrochemicals Research and Development Fund should be finalized to cater to the requirements of petrochemicals sector.

ix) The Committee desire that all formalities regarding setting up of an Inter-Ministerial Expert Committee to look into the requirement of making the use of plastics in thrust areas be completed expeditiously and steps should taken to increase the consumption of plastics in order to save other vital resources,

x) The Committee hopes that Recycling Waste Management Centre in Guwahati would be set up at the earliest. The Committee also recommends that efforts should be made by the Department to promote research and development activities for production of cost effective bio-degradable plastics.

The Department of Chemicals and Petrochemicals had submitted the Action Taken Report on the above Recommendations contained in the Eighteenth Report of the Standing Committee on "Demand and Availability of Petrochemicals" of the Chemicals and Fertilizers (Department of Chemicals and Petrochemicals) (2006-07) on 14th August 2007. The Standing Committee on "Demand and Availability of Petrochemicals" of the Chemicals and Fertilizers (Department of Chemicals and Petrochemicals) as per the Twenty Third Report on Demand And Availability of Petrochemicals, tabled the Action Taken by the Government on the recommendations contained in the Eighteenth Report (Fourteenth Lok Sabha) of the Standing Committee on Chemicals & Fertilizers (2006-07) on 'Demand and Availability of Petrochemicals, during the month of November 2007 in the Lok Sabha. I am placing before the House the status of implementation of the various recommendations contained in the Eighteenth Report of the Standing Committee on "Demand and Availability of Petrochemicals" of the Chemicals and Fertilizers (Department of Chemicals and Petrochemicals) (2006-07).

Recommendation S.No.I/Para 7

The Committee note that the Indian Petrochemicals Industry registered rapid growth in the 1980s and 1990s, however, between 2000-2006, the growth had virtually stagnated. The Committee also note that the Indian Petrochemicals Industry is small by international standards with only 2-3 per cent of the global ethylene capacity. The Committee therefore, strongly recommends that the Government should create conducive environment for rapid growth of the Indian Petrochemicals Industry so that it can reap the optimum benefit offered by the present global scenario.

STATUS OF IMPLEMENTATION

Petrochemicals Industry is delicensed and deregulated. The role of the Government is as a facilitator. To create conducive environment for achieving rapid growth and new investments, Department of Chemicals & Petrochemicals has formulated a National Policy on Petrochemicals. Further to enable the country to be a global hub in chemicals/petrochemicals. The Petroleum, Chemicals and Petrochemicals Investment Region Policy have also been gazetted.

Recommendation S.No 2/Para 23

The Committee note that the Government of India constituted a Task Force on Petrochemicals in order to strengthen the petrochemicals industry and the Task Force had submitted its Report. In order to give concrete shape to the recommendations of the Task Force, a draft National Policy on Petrochemicals has been evolved which was considered by the Committee of Secretaries on 29th November, 2006. The Committee, therefore, recommend that all necessary formalities should be completed as early as possible so that National Policy on Petrochemicals is finalized at the earliest.

STATUS OF IMPLEMENTATION

The National Policy on Petrochemicals was approved by the Government on 12.4.2007. The Policy Resolution for Petrochemicals has been published in the Gazette of India (Extraordinary) Part - I - Section -I dated 30th April, 2007 *vide* No 116.

Recommendation S.No 3/Para 34

The Committee note that a Task Force on Petroleum, Chemicals and Petrochemicals Investment region (PCPIR) was constituted in the Prime Minister's Office on 20th January, 2006, in order to enable quick and coordinated decision with an appropriate policy framework for the development of investment regions of requisite scale and level of facilities, with the involvement of world class developers and investors in the petroleum, chemicals and petrochemicals. While appreciating the fact that the PCPIR Policy has been launched, the Committee hope that the Government would strive to implement the PCPIR Policy to achieve the desired objectives. The Committee also recommended that State Governments should be impressed upon for facilitating land transfer and providing other infrastructural facilities so as to make the PCPIR Policy a big success.

STATUS OF IMPLEMENTATION

In the PCPIR Policy, the initiatives to be taken by the State Government as well as by the Central Government have been clearly elaborated. The State Government would play a lead role in setting up of the PCPIR. Further, to impress upon the States, at the level of Secretary letters have been written to all Chief Secretaries informing them of the Policy. Also during the launch of the policy by the Minister of Chemicals and Fertilizers and Steel, where all State Governments were invited, some of the States like Andhra Pradesh, Gujarat, Tamil Nadu, Orissa made presentations about their preparedness for hosting a PCPIR. Project proposals have been received from 4 States in the format prescribed in the Policy for setting up PCPIRs, which are under scrutiny.

Recommendation S.No 4/Para 49

The Committee have been informed that the Gas Authority in India Limited (GAIL) has been identified as lead promoter with 70% equity participation to implement the Assam Gas Cracker Project with Oil India Limited, Numaligarh Refinery Limited and Assam participation in the project. Subsequently, Monitoring Committee and Project Steering Committee have been constituted and a Joint Venture Company, namely, 'M/s. Brahmaputra Crackers and Polymers Limited (BCPL)' has been formed and registered for implementing this project. The Committee express their satisfaction that foundation stone laying ceremony of the Brahmaputra Cracker and Polymer Limited has been held on 9th April, 2007. The Committee now desire that all out efforts should be made to make the project complete and functional within the stipulated time period as it would lead to setting up of about 500 plastic processing industries and yield socio-economic benefits to the North-Eastern Region especially the State of Assam.

STATUS OF IMPLEMENTATION

The progress made in respect of the Assam Gas Cracker Project is as follows:-

1. An Agreement for constituting Joint Venture Company was executed on 18.10.2006, namely M/s Brahmaputra Cracker & Polymer Limited which was incorporated on 8th January 2007.

2. The Registered Office at Guwahati and Project Office at Dibrugarh have been made operational. Chief Operating Officer (COO) and Chief Finance Officer (CFO) have been posted.

3. 2692 bighas (approx 890 Acres) of land, out of approx 1108 Acres needed for the project have been acquired by BCPL.

4. Feedstock Gas Supply Agreements (GSA) have been signed with M/s Oil India Limited (OIL) and with M/s ONGC on 19.9.2007 & 15.10.2007 respectively, and Naphtha Supply with M/s Numaligarh Refinery Limited (NRL) signed on 19.9.2007.

5. Oil Industries Development Board has agreed to offer a term loan of Rs.327 crore.

6. M/s Brahmaputra Cracker & Polymer Ltd. (BCPL) has awarded Project Management Consultants (PMC) job to M/s Engineers India Limited on nomination basis on reimbursable basis on 10.9.2007.

7. Necessary Environmental and Pollution clearance both from State and MoEF for the revised configuration has been obtained.

8. Rs. 30 crores has been released during the year 2007-2008, by the Department of Chemicals and Petrochemicals Government of India towards Capital Subsidy for implementation of the project.

A Monitoring Committee has been constituted in the Department of Chemicals & Petrochemical to monitor the progress of implementation of Assam Gas Cracker Project. This Committee monitors and reviews the progress regularly. All necessary steps are being undertaken by the Joint Venture Company, i.e. M/s Brahmaputra Crackers and Polymers Limited, to implement the project in the stipulated time-frame.

Recommendation S.No 5/Para 67

The Committee note that Naphtha and Natural gas are the main feedstocks for the Petrochemical Industry. The Committee were informed that there is surplus availability of Naphtha in the country, However, availability of Natural Gas is not sufficient to meet the demand of Petrochemical Industry whereas power and fertilizer sector receive priority in terms of gas supply. Besides, even within the available gas the obtainable fractions for use in petrochemicals are low. At the same time, production of petrochemicals from Natural gas is cheaper in comparison to Naphtha. The Committee, therefore, desire that the Department should take adequate steps to allocate requisite gas supply to petrochemicals sector.

STATUS OF IMPLEMENTATION

A Standing Committee on Feedstock as envisaged in the National Policy of Petrochemical has been constituted with representatives from Department of Chemicals & Petrochemicals, Ministry of Petroleum & Natural Gas, Ministry of Power, Department of Fertilizers and Ministry of Textiles to suggest a policy framework for full utilization of available feedstock at internationally competitive prices, to suggest measures for expanding the availability of feedstock, ensuring availability to different consuming sectors and future cracker complexes and to suggest a petrochemical sector specific feedstock policy initiatives with a long term perspective for promotion of investment in Petrochemicals sector.

Recommendation S.No 6/Para 75

The Committee observe that infrastructure facilities like ports, roads power, water, telecommunication, storage and transportation etc. are inadequate to meet the growing demand of the petrochemical industry. The Committee, therefore, recommend that

necessary steps should be taken by the Department to provide these infrastructure facilities to petrochemical sector.

STATUS OF IMPLEMENTATION

Petroleum, Chemical and Petrochemical Investment Regions (PCPIR) Policy has been approved for promoting investment in this sector to make the country an important hub for both domestic and international markets. Government of India will ensure the availability of external physical infrastructure linkages to the PCPIR including Rail, Road (National Highways), Ports, Airports, and Telecom, in a time bound manner. This infrastructure will be created/upgraded through Public Private Partnerships to the extent possible. Wherever necessary, requisite budgetary provisions for creation of these linkages through the public sector will also be made.

Recommendation S.No 7/Para 82

The Committee have been informed that the Indian Petrochemical Industry has been witnessing continuous reduction in the level of protection due to accelerated customs duty reduction. The Committee note that there are also anomalies in the duty structure across the value addition chain resulting in instances of inverted duty structure. The petrochemical industry is also seriously affected by the levy of high rates of Sales Tax on both inputs and products and this problem is further compounded by wide variations from State to State and a host of State levies like turnover tax, entry tax, etc. Considering these aspects, the Committee desire that the Union Government should take necessary steps to rationalize the duty and tax structure.

STATUS OF IMPLEMENTATION

The National Policy on Petrochemical envisages the need to remove anomalies in duty structure all across the value addition chain. Subject to macro economic consideration and overall revenue targets, the Government would strive to rationalize the duty and tax structure and remove the duty inversions in the petrochemical value addition chain to promote growth and development in the sector. Department of Chemicals &. Petrochemicals through a consultation process with the stakeholder industry association recommends corrections in the duty/tax structure to Ministry of Finance during the pre-budget/post-budget exercise on an annual basis.

Recommendation S.No 8/Para 95

The Committee are of the opinion that trained manpower and advanced technology are essential for any industry to grow. The Committee were informed that Petrochemicals Industry in India has been set up based on the imported technical know-how. While appreciating the fact that several Institutions like CIPET, IITs, ITIs, Engineering Colleges etc. are providing training and skill and institutions like Indian Institute of Chemical Technology (IICT), Hyderabad, National Chemical Laboratory, Pune, Regional Research Laboratories etc. are conducting R&D activities in the petrochemicals sector, the Committee desire that these institutions should be strengthened to ensure that skill and trained manpower availability should not be constraints to the petrochemicals sector. The Committee also recommends that the proposal of the Government to set up a new scheme of Petrochemical Research and Development Fund should be finalized to cater to the requirements of petrochemicals sector.

STATUS OF IMPLEMENTATION

The National Policy on Petrochemicals envisages the setting up of Centres of Excellence in existing educational and research institutions working in the field of polymers like National Chemical Laboratory, Indian Institute of Chemical Technology, Indian Institutes of Technology, National Institutes of Technology and others. It also envisages formulation of a new scheme of Petrochemical Research and Development Fund (PRDF) which would cater to the projects of R&D, in the field of polymers/plastics. It has been decided to conduct Feasibility Studies in this regard.

Recommendation S.No 9/Para 107

The Committee have been informed that per capita consumption of Polymers in India is 4.0 kg. as against the global average of about 25 kgs. The Committee have been further informed that Department of Chemicals and Petrochemicals is considering to set up an Inter Ministerial Expert Committee to look into the requirement of making the use of plastics in the thrust areas like plastics in agriculture, water management lime plastic pipes, construction applications like door/window frame and insulation panels, electronics, electrical and telecommunication, consumer durable and non durable products and automobile. Considering the cost effectiveness and more energy efficiency of plastic product, the Committee desire that all formalities regarding setting up of an Inter-Ministerial Expert Committee to look into the requirement of making the use of plastics in thrust areas be completed expeditiously and steps should be taken to increase the consumption of plastics in order to save other vital resources.

STATUS OF IMPLEMENTATION

The National Policy on Petrochemicals envisages setting up of an Inter-Ministerial Expert Committee under the Department of Chemicals and Petrochemicals, which will look into the requirement of making the use of plastics in thrust areas and make recommendations to the concerned Ministries. The Department of Chemicals and Petrochemicals has constituted an Inter Ministerial Expert Committee for Development of Plastics Application in Thrust Areas. This comprises of representatives from concerned Ministries/departments.

Recommendation S.No lO /Para 116

The Committee were informed that plastic per-se is not hazardous. It is non-management or mismanagement of the waste which is creating problems. Also, production level of bio-degradable plastics is 50 KTA *visÂ-a-vis* 160 MMT total plastics production (less than 0.1 per cent). The Committee were also informed that the Planning Commission has recently sanctioned a project worth Rs. 750 lakhs for setting up a Recycling Waste Management Centre in Guwahati. Considering these aspects, the Committee hope that Recycling Waste Management Centre in Guwahati would be set up at the earliest. The Committee also recommends that efforts should be made by the Department to promote research and development activities for production of cost effective bio-degradable plastics.

STATUS OF IMPLEMENTATION

The estimated cost of the Plastic Recycling and Waste Management Centre at Guwahati is Rs.7.95 crores. Land has been identified and has been handed over to CIPET in the month of November 2007. The National Policy on Petrochemicals envisages that to address the growing environmental concerns arising due to the non-degradability of plastics, particularly carry bags, there is a need to reuse and recycle the plastics as also to develop biodegradable polymers. Biodegradable polymers have also been identified as one of the core research areas under the New Millennium Initiative Technology Leadership India (NMITLI), in the Ministry of Science and Technology.

12.05 hrs.

...(*Interruptions*)